

## MIDCAP Mantra

## Sunteck Rises High in Uneven Mumbai

**JWALIT VYAS**  
ET INTELLIGENCE GROUP

In Mumbai's real estate sector, Sunteck Realty stands apart. The company based in and focused on Mumbai has seen interest from major investors at a time most experts and analysts have negative views on the city's realtors.

Ajay Piramal is among the latest to join its investor list. Kotak Realty fund holds an 8% stake in Sunteck, while other investors include US-based College Retirement Fund with a 3.2% holding and Singapore's Tree-Line Asia fund with a 1% stake. Promoter Kamal Khetan holds close to 74%.

The company's financial performance explains the strong investor interest. Between 2008 and 2013, the company has done total sales of ₹3,000 crore as against less than ₹100 crore in 2007. It has achieved this without leveraging its balance sheet much, unlike most other Mumbai developers who are grappling with low sales and heavy debt.

"Our focus on Mumbai-centric projects with immediate cash flows has helped. Also, we have been very selective in land acquisition and preferred private equity investments over debt," said Khetan.

In 2007, when the Mumbai Metropolitan Region Development Authority invited bids for its plots in the upmarket commercial district of Bandra-Kurla Complex (BKC), Sunteck was the only company that opted for residential plots – all others bid for plots to build commercial projects. "My observation was that in any business district, the residential segment always commands premium over commercial, whether it's Manhattan, Hong Kong or NCPA in Mumbai," Khetan said.

One of the BKC plots which he bought for ₹140 crore in 2007 and converted into a residential project, Signature Island, is valued at ₹1,000 crore by analysts. It has two more similar projects at BKC, each valued around ₹700 crore. About 65% of the inventory is already sold – buyers include for-

Brokerage Calls CMP ₹290

Buy 5 Avg Tgt Price  
Sell 1 ₹433



Kamal Khetan, CMD, Sunteck Realty

mer Citigroup chief executive Vikram Pandit, industrialist Gautum Adani and investment banker Nimesh Kampani – and the remaining is held by the company as it believes the premium will go higher once the projects are completed.

"Kamal Khetan has been very smart in land acquisition. His land cost to total sales is one of the lowest among Mumbai realtors," a leading real-estate consultant said. "He has never gone for trophy properties but has still managed to create high luxury projects."

Apart from BKC, which accounts for about two-thirds of the company's asset value, it has a major project in the suburban Goregaon area, where realty prices have risen more than most other locations in Mumbai. Sunteck is also working on several other projects, some in joint venture with the Piramal Group.

The company is now at an inflection point as the ₹3,000 crore of sales it achieved will start reflecting in its income statements in a staggered manner over three years with delivery of projects. The company has already received ₹1,600 crore and has paid an advance tax of ₹75 crore, compared with just ₹6 crore in fiscal 2013. It records sales and profits of a project only after the project is complete.

"From existing sales, we see growth of at least 25-30% over the next 2-3 years," said Khetan.

jwalit.vyas@timesgroup.com